



Maricopa County

Office of Management and Budget

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To: Sandi Wilson, Deputy County Administrative Office
Joy Rich, Public Works Officer

From: Kenneth Proksa, Management & Budget Analyst
Daren K. Frank, Management & Budget Coordinator

Subject: Analysis of Maricopa County Equipment Services

The review of the FY 2004 Equipment Services Budget Request raised numerous questions about the Department's MfR performance measures, customer service and financial stability. Initial concerns focused on financial management and included:

- 1) A projected FY 2003 budget deficit of approximately \$283,000 (not including unanticipated fuel cost increases).
- 2) Only billing 57.7% of mechanics hours, well below the 76% MfR objective which the FY 2003 budget billing rate of \$57.67/hr. was based upon.
- 3) Leaving 3.0 FTE mechanic positions vacant to "save money" in FY 2003. Yet for every hour of mechanic work the Department should reap \$35 in net income (difference between hourly mechanic salary/benefits and hourly billable rate).
- 4) Paying overtime to mechanics at potentially a higher hourly cost than filling vacant positions.
- 5) Re-assigning 3.0 FTE Mechanics to light-duty or other non-billable functions thereby losing billable hours.
- 6) Department's FY 2003 Budget built upon 2000 annual hours per mechanic rather than 2088.
- 7) In March 2003 the Department submitted a County Board agenda item for a federal grant to install a bio-diesel fuel tank. Since the Department currently uses propane as the alternative fuel, a number of questions were asked by OMB regarding the use and viability of switching to bio-diesel (see attachment 1). Shortly thereafter, the Department rescinded the agenda request.
- 8) Department completely revised their FY 2004 10% budget reduction proposal the day before the OMB budget recommendations were to be completed.

The above concerns led to an extensive review of fleet management practices and performance "standards" at other public sector fleet programs throughout the nation. Included were a review of audits/studies of a variety of local, county and state fleet programs, discussions with individual, public sector fleet managers about appropriate performance measures, industry

standards, methodologies for calculating billable hours and customer service. Also reviewed was extensive literature and case studies on the “privatization” and “competitive contracting” of public sector fleet programs (Competitive contracting is a term used for permitting existing department employees to formally compete with the private sector to operate programs). The analysis led to the following conclusions:

- 1) Industry standards indicate that approximately 70% of mechanic billable hours should be devoted to scheduled vehicle preventive maintenance (PM), yet MCES standard for PM time is 30% and their current actual is 29%. That indicates vehicle repairs are consuming an overwhelming amount Mechanics time. Refocusing efforts on timely PM would likely result in both reduced repairs and vehicle breakdowns and greater salvage value at the end of a vehicles useful life. MCES indicates that user Departments aren’t cooperative in scheduling PM’s, which may be true, however, as a service Department, it seems incumbent upon MCES to take the initiative to ensure vehicles receive timely PM. One example might include establishing a swing or night shift so PM’s can be conducted without loss of vehicle during working hours. Another might be hiring an individual to pick up and deliver vehicles to/from user locations.
- 2) MCES MfR performance measures should include additional relevant measures of success. The only two formal vehicle maintenance measures are currently used. They include: % of preventative maintenance services due that were completed and % of fleet availability. While these are important indicators of efficiency there are others which should be considered including a) # 1 above, b) amount of repair backlog (# of vehicles) and amount of time vehicles have awaited repair, c) “rework rate” which measures the number of vehicles requiring re-repairs for the same problem (The industry standard is approximately 2%), d) Mechanic productivity measurement to efficiently compare Mechanics productive hours, by percentage, to the payroll for hours they were compensated during a defined period.
- 3) The Department billable rate structure seems faulty. It is currently \$57.67/per hour but that does not capture the full cost of the MCES operation. A rate structure should be calculated that reflects all of the direct AND indirect costs associated with operating the program. That would provide a true measure of cost effectiveness to compare against other fleet programs. Once the true cost is known, a decision can be made to allocate the costs to specific lines of business for the department. Current costs that should be considered are identified in the table below:

FY 2004 MCES Budget	\$ 8,171,022	(FY 2004 Budget includes \$482,105 in allocated costs by Dep't asterisked *** below)
Building Value	\$ 6,654,450 *	Includes all sites
Land Value	\$ 1,005,800 *	" " "
Fixed Asset Value	\$ 657,179 **	
Gen Gov't		\$ 3,699 ***
Finance		\$ 81,228 ***
OMB		\$ 8,654 ***
Materials Mgmt.		\$ 41,947 ***
HR/Total Comp.		\$ 23,821 ***
Telecom		\$ 63,909 ***
Facilities Mgmt.		\$ 235,270 ***
Treasurer		\$ 8,278 ***
Internal Audit		\$ 9,892 ***
Call Center		\$ 722 ***
County Administration		\$ 4,685 ***
		<u>\$ 482,105 ***</u>
Total	\$ 16,488,451	
		\$9,310,306 div by direct labor hrs.= 58,497 (37 mechs)
Notes:		
1) ES Leases facilities from MCDOT for outlying service centers. Annual total cost: \$55,224		
2) ES has 12 IGA's to provide services to other entities. Annual revenue: \$515,906		
* Building and land value are rough estimates from FM. Includes all ES sites. Building value represents 1/3 of \$110/sf anticipated replacement cost		
** ES Fixed Asset Inventory-4/23/03		
*** FY 2004 Cost Allocation Charge from Finance for A87		

On April 15 a memorandum detailing the results of our research efforts with a recommendation the County consider competitively contracting the Equipment Services function was submitted. Shortly thereafter, a task force was established to further review the issue. The Task Force included: Sandi Wilson OMB, Joy Rich PLANDEV; Shawn Nau HCM; Lindy Funkhouser HCM; Gwynn Simpson HR; Brian Hushek OMB; Daren Frank OMB; Ken Proksa OMB; and Walt Weglarz MM

The task force has met on three occasions; April 23, May 13 and June 17 to review and discuss the recommendations. The task force has determined that prior to pursuing any specific course of action relative to MCES the problems and issues must be clearly defined with the assistance of a professional, fleet management consultant. An RFP has been drafted with the assistance of Materials Management to establish a scope of work for the consultant to analyze MCES and develop recommendations for the County's consideration. The recommendations may include improvements to the existing in-house Department operation, privatization of all or part of the Departmental functions, or competitive contracting of a portion of or the entire Department function or. The task force has agreed upon the RFP scope of work, (below) at their June 17, 2003 meeting.

SPECIFICATIONS ON REQUEST FOR PROPOSALS FOR: FLEET MANAGEMENT CONSULTING SERVICES

1.0 INTENT:

The intent of this Request for Proposal is to hire a consultant to evaluate the Equipment Services Department (the department) in three phases.

Phase I is to determine the issues the consultant shall focus on and examine in its initial review of the department. Subsequently, after Phase I is completed, the County will determine if it is in its best interest to pursue privatization or competitive contracting, or approach this study/evaluation from an alternate methodology/direction.

Additional Phases will only be pursued at the option of the County assuming the consultant's study recommends such and the County determines those recommendation(s) made are in its best interest.

2.0 SCOPE OF WORK:

2.1 PHASE I -- FLEET AUDIT/PERFORMANCE EVALUATION:

The consultant shall identify, study and/or assess Equipment Services with respect to the following issues:

2.1.1 Identify Existing Equipment Services Issues/Problems:

- 2.1.1.1 Assess Management Structure & Effectiveness
- 2.1.1.2 Assess Financial Structure & Efficiency
- 2.1.1.3 Assess Use/Deployment of Staff & Resources
- 2.1.1.4 Assess the Departments Performance Against the Needs of Fleet Users
- 2.1.1.5 Assess Preventive Maintenance Program and its Effectiveness
- 2.1.1.6 Assess Repair Program Effectiveness
- 2.1.1.7 Assess Parts Program Effectiveness
- 2.1.1.8 Assess Department Against Industry Benchmark Data
 - 2.1.1.8.1 Billable hours per year
 - 2.1.1.8.2 Hourly billing rate(s)
 - 2.1.1.8.3 Percentage of Preventative Maintenance vs Repairs Made
 - 2.1.1.8.4 Rework rate(s)
 - 2.1.1.8.5 Scheduling
 - 2.1.1.8.6 Impact of light duty
- 2.1.1.9 Assess Cost Effectiveness of Department

2.1.2 Recommendations with Alternatives:

After comprehensively studying and assessing the department according to the requirements in "Identify Existing Equipment

Services Issues/Problems" the consultant shall prepare a thorough report covering the following:

- 2.1.2.1 Recommended changes to improve the departmental operation to meet customer needs.
- 2.1.2.2 Potential for the County to move the department to complete or partial privatization. This shall include a recommended pilot program with time frames, steps to implement and other valid points to ensure the successful implementation of the pilot program.
- 2.1.2.3 Any costs of preparing for privatization with ramifications for the County's fleet that may require the County to bring its fleet up to standard before privatization is implemented.

The task force feels that this recommendation and the described RFP will lead to a more efficient and effective Equipment Services function regardless of consultant recommendation. It is with that goal in mind that this analysis has been guided. Please let me know if you have any additional questions or comments, and how you wish to proceed.

Cc: Brian Hushek
Shawn Nau
Lindy Funkhouser
Gwynn Simpson
Walt Weglarz